

Message Text

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70

ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 XMB-02 EB-07 SP-02 AID-05 NSC-05

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IGA-01 MC-02 L-02 CIAE-00 INR-07 NSAE-00 /074 W

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FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 1351

INFO AMEMBASSY BEIRUT

C O N F I D E N T I A L NICOSIA 1015

BEIRUT FOR RCAA

E.O. 11652: GDS

TAGS: ETRD EAIR CY

SUBJ: SALE OF MCDONNELL-DOUGLAS AIRCRAFT TO CYPRUS AIRWAYS -

EXIMBANK FINANCING

REF: A. STATE 048748; B. NICOSIA 0721

1. EMBASSY APPRECIATES EXIMBANK'S CONCERN WITH REGARD TO CURRENT SITUATION AND QUESTION OF UNACCEPTABLE COMMERCIAL RISK CONTAINED REF A. PURPOSE OF REF B WAS TO HIGHLIGHT FAVORABLE COMMERCIAL OPPORTUNITY AND TO POINT OUT THAT IT COULD EASILY BE LOST TO COMPETITIVE FOREIGN COMMERCIAL INTERESTS. FOLLOWING ARE FURTHER OBSERVATIONS.

2. ON FINANCIAL SIDE, GOC FX RESERVES REMAIN NOT ONLY VERY HIGH ON PER CAPITA BASIS BUT HAVE ACTUALLY INCREASED IN RECENT MONTHS. GOC PLANNING BUREAU PROJECTS END YEAR RESERVE BALANCE AT 110 MILLION CYPRUS POUNDS. SECOND, CYPRIOT POUND EXCHANGE RATE TO HARD CURRENCIES ALSO APPRECIATING. THIRD, GOC DEVELOPMENT PLANNING POINTING TO INCREASED CONFIDENCE IN STABILITY OF SITUATION. FOR EXAMPLE, COUNCIL OF MINISTERS RECENTLY APPROVED NEW \$1/2 MILLION CONTRACT WITH U.S. FIRM LOUIS BERGER, INC., FOR FINAL STUDY FOR NEW 4-LANE NICOSIA-LIMASSOL HIGHWAY, FINAL DESIGN
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NICOSIA BY-PASS AND FEASIBILITY STUDY EXPANSION OF LIMASSOL PORT.

GOC EXPECTS THESE PROJECTS WILL BE ASSISTED BY WORLD BANK. GOC PRESENTLY TRYING TO ENLIST OUTSIDE INVESTOR INTEREST FOR DRYDOCK AND/OR GENERAL SHIP REPAIR YARD AT LIMASSOL IN VIEW OF REOPENING OF SUEZ CANAL. PROJECT APPEARS TO HAVE GENERATED FAVORABLE PRELIMINARY RESPONSES FROM EUROPEAN INTERESTS.

3. ON MORE IMMEDIATE QUESTION, WE HAVE HEARD THAT BRITISH AIRWAYS (BA) IS DISCONTINUING USE OF 20 TRIDENT ONE TYPE AIRCRAFT AND IS SEEKING RE-SALE OUTLETS FOR 15 IMMEDIATELY. WE UNDERSTAND THAT BA WILL OFFER SOME OF THESE AIRCRAFT AS REPLACEMENT FOR CY TRIDENTS, WHICH NOW LIE DESTROYED OR DAMAGED AT NICOSIA INTERNATIONAL AIRPORT. SALE OF TRIDENT ONES WOULD, OF COURSE, RULE OUT MCDONNELL-DOUGLAS DEAL AND TIE CY TO BRITISH AIRCRAFT INDUSTRY FOR FORESEEABLE FUTURE.
BROWN

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NNN

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Margaret P. Grafeld
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